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SUBJECT: EU "SOCIAL SUMMIT" STRESSES JOBS AND LABOR
MARKET FLEXIBILITY

REF: Brussels 5469 (notal)

1. Summary: The Prime Ministers and Employment and Social Affairs Ministers of the EU Troika (Italy, Ireland, and the Netherlands) gathered with EU-level trade union and employers organization leaders December 11 to review the employment situation in Europe. The "Social Summit," co-chaired by European Council President Berlusconi and Commission President Prodi, heard a presentation by former Dutch PM Wim Kok in his capacity as head of the Employment Task Force, which recently underlined the need to press reforms to boost both employment and productivity levels in Europe through increased training and flexibility. Together with the EU Action for Growth approved by the December 12 European Council, the "Kok report", as it is known, highlights the gap facing the EU in its efforts to meet the employment targets set under its "Lisbon strategy" for turning the Union into the most competitive economy in the world by 2010 (reftel).
End Summary

EU SOCIAL PARTNERS' VIEWS

2. Berlusconi told the post-Social Summit press conference that the Kok report was received "positively by a very large majority of participants." He noted that the report called for solutions to the EU jobs crisis at the level of the individual Member States. Commission President Prodi said all participants agreed on the "clear objectives" of the Kok report, although the employers and unions had "differences" on the "instruments" proposed, he said without going into details. The President of the Union of Industrial and Employers' Confederations of Europe (UNICE), Jrgen Strube, expressed hope that the EU Summit over the weekend would be the "Summit of the Wise, that will give us a Constitution that will above all allow business to develop". The Secretary-General of the European Trade Union Confederation (ETUC), John Monks, asked for his part for "a strong Constitution for a strong Europe, and a strong social Europe."

COMMISSION VIEWS

3. In his address to the Social Summit, Prodi said the report clearly showed that reforms were "both possible and necessary, and that they must be introduced urgently to support the economic upturn." Areas for action identified by the report were "fully consistent with" the European Employment Guidelines adopted this year. Prodi called for better dissemination of innovation, more stress on R&D, developing strategies for dealing with an aging population, stepping up preventive and active labor-market policies, more investment in human capital, and, lastly, more affordable and accessible childcare. Prodi stressed that "In all these areas, the Social Partners have a key role to play," and that the ability of governments to build up "reform partnerships," as the Report puts it, would be "crucial for the success" of such policies.

NEXT STEPS

4. The leaders of the EU-25 in their December 12 European Council meeting subsequently welcomed the Kok report as well as the outcome of the Social Summit. Berlusconi used his December 12 press conference to reiterate his views in favor of freeing European business, using the image of "Gulliver being chained by red tape." In its conclusions, the Summit stressed that, in accordance with the view of the Task Force, improving the EU's employment performance in the context of the

Employment Strategy depends on meeting four essential requirements:

- Increasing adaptability of workers and enterprises;
- Attracting more people to the labor market,
- More and more effective investment in human capital;
- Ensuring effective implementation of reforms through better governance.

15. The European Council tasked the Commission and Council to consider the Kok report in preparing their Joint Employment Report to be submitted by the to the 2004 Spring European Council. The Report would also be valuable for the Commission when preparing its country-specific employment recommendations next spring. As the EU work program in the area is directed toward the March European Council, no concrete results emerged from the Summit. However, the social partners in a joint declaration said they were sharing the sense of urgency conveyed by the Kok report to meet the Lisbon employment targets.

16. The holding of this three-way Summit reflects concern expressed by some Member States (France, in particular) about the current economic and employment situation in Europe. The upcoming Irish Presidency and the Commission have already started to prepare, in consultation with the social partners, the EU Summit of March 2004 that will focus on sustainable growth, the aging of the working population, as well as such concerns raised in the Kok report as competitiveness and productivity, social protection and mobility.

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